

Message Text

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PAGE 01 PORTO 00168 051455Z
ACTION COME-00

INFO OCT-01 ARA-14 ISO-00 EB-08 /023 W
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R 031157Z JUN 78
FM AMCONSUL PORTO ALEGRE
TO SECSTATE WASHDC PRIORITY 0652
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

UNCLAS PORTO ALEGRE 0168

PASS EXIM ATTENTION CHAPMAN

E.O.: 11652:N/A
TAGS: BENC,BR
SUBJECT: MAJOR PROJECT: RIO GRANDE DO SUL COAL MINE

1. MINISTER INDUSTRY AND COMMERCE CALMON DE SA ANNOUNCED GOB INTEREST IN PROMOTING PRODUCTION OF GRAVATAI COKING COAL ON MAY 25, ANNOUNCEMENT MADE FOLLOWING JOINT MEETING WITH MINISTER MINES AND ENERGY UEKI, PRESIDENT NATIONAL PETROLEUM COUNCIL ALMEIDA COSTA, TECHNICIAN CNP, SIDERBRAS, DNPM AND PAULO HABIB CONSULTING FIRM CHARGED WITH PRE VIABILITY STUDY GRAVATAI MINE BASED ON 9 POSITIVE DNPM DRILLINGS 5 TO 7 KM APART WHICH INDICATE EXISTENCE LARGE DEPOSIT, POSSIBLY EXTENDING AS MUCH AS 30 KM AT DEPTH VARYING BETWEEN 200 AND 450 METERS A SUBSTANTIAL FRACTION OF WHICH OF COKING COAL QUALITY. ADDITIONAL 15 TO 20.000 METERS OF DRILLINGS ESTIMATED REQUIRED TO CONFIRM AND A FULLY DIMENSION FIELD. IF PRELIMINARY ESTIMATE CONFIRMED, FIELD COULD SUPPORT 5 TO 6 MINES WITH CAPACITY 1.2 M TONS/YEAR, AT LEAST ONE OF WHICH TO PRODUCE 50-0/0 COKING COAL.

2. GOB REPORTEDLY WILL GIVE FIRST PREFERENCE TO PRIVATE SECTOR PROJECT FOR MINE TO PRODUCE 1.2 MILLION TONS COKING COAL WHICH WOULD NECESSITATE JOINT PRODUCTION ADDITIONAL 1.2 MILLION TONS
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STEAM COAL. PRELIMINARY ESTIMATE COST PROJECT IN US DOLLAR 120 TO 130 MILLION RANGE. IF PRIVATE SECTOR UNABLE PRODUCE VIABLE PROJECT IN RELATIVELY SHORT TIME FRAME OF MONTH TO 45 DAYS, GOB REPORTEDLY INTENDS PROCEED ALTERNATIVE ROUTE PUBLIC SECTOR THROUGH CIA RIOGRANDENSE DE MINERACAO (CRM) OU CIA VALE DO RIO DOCE (CVRD).

3. ALTHOUGH TWO MING COMPANIES, CIA DE PESQUISA E LAVRAS MINERAIS-COPELMI, HEADQUARTERS RIO. EXECUTIVE DIRECTOR ROBERTO FARIA, AND CIA METROPOLITANA OF SANTA CATARINA (CMSC) HAVE SIGNED MEMORANDUM OF UNDERSTANDING FOR JOINT VENTURE, CONSULATE INFORMED PREFERENCE BOTH COMPANIES FOR MAINTENANCE SEPARATE IDENTITIES AND ASSOCIATION WITH FOREIGN PARTNER WILLING PROVIDE CAPITAL AND TECHNOLOGY. NEITHER COPELMI NOR CMSC HAVE RESOURCES OR LONG WALL KNOW-HOW TO UNDERTAKE PROJECT. COPELMI IN PARTICULAR REPORTEDLY INTERESTED JOINT VENTURE WITH STRONG EXPERIENCED FOREIGN COMPANY. CONSULATE INFORMED ST.JOE MINERALS THROUGH RIO REPRESENTATIVE JON KOEME AND KAISER MINERALS OF CANADA HAVE BEEN OVER IN CONTACT WITH COPELMI. IN ADDITION BRITISH MINING INTERESTS AND FRENCH STATE OWNED CHARBONNAGE DE FRANCE HAVE MADE PRELIMINARY OVERTURES.

4. SITUATION STILL FLUID, WITH KEY FACTORS SUCH AS AVAILABILITY BNDE CREDIT STILL UNDEFINED, BUT GOB REPORTEDLY INTERESTED SPEEDY RESOLUTION BASIC ISSUE PRIVATE VS PUBLIC SECTOR RESPONSIBILITY FOR GRAVATAI COKING COAL WITH STRONG INITIAL PREFERENCE GIVEN TO PRIVATE SECTOR JOINT VENTURE.

5. ACTION REQUESTED USDOC INFORM INTERESTED US CO. THIS INVESTMENT/EXPORT OPPORTUNITY. THIS MESSAGE CLEARED COMMERCIAL COUNSELOR AND RESOURCES OFFICER.
EXTON

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